

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-05 OMB-01 CEA-01 PA-01 PRS-01
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 /081 W
-----002409 231358Z /53

R 231144Z DEC 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 3385

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E. O. 11652: N/A
TAGS: EFIN, EINV, EG
SUBJ: KAISSOUNI TESTIFIES BEFORE PEOPLES ASSEMBLY; FORMER
- GOE MINFIN TERMS 1978 BUDGET TOTAL FICTION

REF: CAIRO 22435

1. MID-WEEK PRESS COVERAGE OF PEOPLES ASSEMBLY BUDGET/
PLAN COMMITTEE HEARINGS DESCRIBED SESSIONS AS CONTENTIOUS,
REPORTING THAT COMMITTEE CHAIRMAN ABU ISMAIL (FORMER GOE
MINFIN) HAD ACCUSED ECONOMIC GROUP OF MISLEADING LEGIS-
LATORS AND POPULACE WITH DISTORTED FIGURES. ACCORDING
NEWSPAPER ACCOUNTS, ISMAIL CLAIMED 1978 BUDGET DID NOT
PROVIDE FOR REAL INCREASE IN VOLUME OF INVESTMENT NOR TAKE
INFLATIONARY PRESSURES INTO ACCOUNT. HE ALSO CHARGED
THAT PLAN DID NOT PROVIDE ENOUGH ASSISTANCE TO PRIVATE
SECTOR AS WARRANTED UNDER "OPEN DOOR" POLICY.

2. EMBOFF DISCUSSED REPORTS WITH ISMAIL DECEMBER 22
AFTER COMMITTEE HEARINGS ON BUDGET/PLAN HAD ENDED.
ISMAIL REITERATED AND COMMENTED ON POINTS MADE IN PRESS,
NOTING THAT HE HAD ASSUMED ROLE OF "LOYAL OPPOSITION" IN
REVEALING INADEQUACIES IN GOE'S FISCAL PROGRAM. ON INVEST-
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MENT BUDGET, WHICH JUMPED FROM ALLOCATION OF LE 1335
MILLION IN 1977 TO LE 2226 MILLION IN 1978, ISMAIL SAID NO
ONE IS FOCUSING ON FACT THAT NEW BUDGET IS CALCULATED IN
PARALLEL MARKET POUNDS. WHEN 1978 ALLOCATION IS CONVERTED
TO OFFICIAL RATE POUNDS, THERE IS NO INCREASE AT ALL. IN
COMPARING ACTUAL 1977 INVESTMENT WITH 1978 PROGRAM, THERE
IS LE 39 MILLION INCREASE, NOT ENOUGH TO OFFSET INFLATION

OR POPULATION GROWTH.

3. ON INFLATION, ISMAIL NOTED THAT MINFIN HAD COME UP WITH AN INITIAL ESTIMATE OF 3-4 PERCENT PER ANNUM. WHEN LEGISLATORS PROTESTED THIS AS TOTALLY UNREALISTIC, ADMINISTRATION MODIFIED ESTIMATE TO 6-7 PERCENT FOR 1976-77 AND 8-9 PERCENT FOR 1977-78. SHIFT DID NOT IMPRESS ISMAIL, HOWEVER, WHO SAID INFLATION RATE IN MOST RECENT PERIOD WAS "AT LEAST 20 PERCENT."

4. OVERALL BUDGET, TOO, CAME IN FOR ITS SHARE OF CRITICISM FROM ABU ISMAIL, WHO TERMED IT "TOTAL FICTION," POINTING OUT THAT MULTIPLE CALCULATIONS AT VARYING RATES OF EXCHANGE DID NOTHING BUT CLOUD ISSUE. BUDGET, IN HIS VIEW, HAS BECOME SO POLITICIZED IT IS NO LONGER USEFUL. "WHEN BUDGET EQUALS GNP IT CAN'T BE SERIOUS OR REALISTIC."

5. ISMAIL WENT ON TO SAY HE BELIEVED PRESENT ECONOMIC GROUP HAD LOST CONFIDENCE OF PEOPLE. AFTER 1977 ATTEMPT AT AUSTERITY AND CORRECTIVE ACTION, EVERYONE IS WATCHING THEIR MOVES CAREFULLY THIS YEAR, PARTICULARLY LEGISLATORS. WHILE DEFICIT FINANCING IS CONSIDERED EXPANSIONARY, ISMAIL DOESN'T BELIEVE THIS FISCAL PACKAGE WILL STIMULATE MUCH ECONOMIC GROWTH. HE EXPRESSED PARTICULAR CONCERN ABOUT PRIVATE SECTOR, WHERE, IN HIS ESTIMATION, GOVERNMENT INVESTMENT WILL DECLINE BY 50 PERCENT. HE CRITICIZED KAISSOUNI FOR DISCOUNTING THIS BECAUSE OF NUMBERS OF JOINT VENTURE LIMITED OFFICIAL USE

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INVESTMENT APPLICATIONS. NO ONE CAN PREDICT, ACCORDING ISMAIL, WHETHER THOSE PROJECTS WILL BE IMPLEMENTED IN 1978 OR MUCH LATER. THUS, GOE IS MAKING MISTAKE IN RELYING ON FOREIGN PRIVATE INVESTORS TO STIMULATE DOMESTIC PRIVATE SECTOR.

6. ISMAIL THOUGHT THAT DESPITE HIS PROBLEMS WITH PACKAGE, LEGISLATIVE ACTION ON PROGRAM WOULD BE COMPLETED BEFORE DEC. 31.

7. COMMENT: BUDGET STILL SEEMS AREA OF PRIME CONCERN FOR LEGISLATORS, WHO CLEARLY RECALL LAST JANUARY, AND FOR DONORS, WHO LOOK FOR THIS BUDGET TO REFLECT BETTER MONEY MANAGEMENT. PRESENT INFORMATION APPEARS INDICATE, HOWEVER, THAT GOE HAS APPLIED SOME SUGGESTIONS AND NOT OTHERS, SUCCEEDING IN FUZZING BUDGETARY PROCESS EVEN MORE THAN PREVIOUSLY. INVESTMENT BUDGET AT PARALLEL RATE DOES NOT REFLECT SUBSTANTIAL INCREASE OVER ACTUAL 1977 OUTLAY. POST ALSO HAS NOTED CONFUSION CREATED BY CALCULATING CERTAIN ITEMS AT OFFICIAL RATE AND OTHER ITEMS AT PARALLEL RATE OF EXCHANGE. NEITHER PLAN NOR BUDGET APPEAR TO HAVE ADDRESSED INFLATION OR POPULATION FACTORS ADEQUATELY.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUDGETS
Control Number: n/a
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Sent Date: 23-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CAIRO22701
Document Source: CORE
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770479-1006
Format: TEL
From: CAIRO
Handling Restrictions: n/a
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Litigation Code IDs:
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Message ID: 27c7cafd-c188-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 CAIRO 22435
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 13-Apr-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 141331
Secure: OPEN
Status: NATIVE
Subject: KAISSOUNI TESTIFIES BEFORE PEOPLES ASSEMBLY; FORMER - GOE MINFIN TERMS 1978 BUDGET TOTAL FICTION
TAGS: EFIN, EINV, EG
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/27c7cafd-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009